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UNCLAS SECTION 01 OF 05 KUWAIT 002949

SIPDIS

STATE FOR NEA/FO, NEA/ARP, NEA/PPD, G/IWI

E.O. 12958: N/A

TAGS: [EAID](#) [ETRD](#) [KPAO](#) [KU](#) [PGOV](#) [PHUM](#) [PREL](#) [SCUL](#) [SOCI](#)
SUBJECT: (U) MEPI 03-04: COUNTRY STRATEGY FOR KUWAIT

REF: STATE 126550

¶1. (SBU) Post welcomes the opportunity to present this MEPI country strategy for Kuwait. As we consider how best to engage on these issues, particularly on sensitive issues such as political reform and education (where the U.S. has already been unjustly accused of inappropriate interference), it is important to ensure that we do a lot of listening before endorsing specific projects, and that we work behind the scenes to build up the capacity of like-minded local advocacy groups to press their case. We will also need to spend sufficient time and effort to persuade Kuwait's leaders that their national interest is best served by reform. (This is a point that they seem to accept intellectually, but on which they are either unwilling or unable to act.)

¶2. (U) The strategies below are delineated by pillar.

ECONOMIC REFORM PILLAR

¶3. (SBU) Where Kuwait should be in three to five years: The challenge for Kuwait is to reduce the role of the public sector in the economy. Within three to five years, frameworks to regulate privatized industries (including the introduction and enforcement of a rigorous competition policy) should be in place. Current barriers to investment (including outdated agency laws and ownership restrictions) should be falling, as should barriers to trade (such as the wrong-headed International Conformity Certificate Program). Kuwait should begin taking an active role in the WTO. Trade and customs rules should be sufficiently modernized and streamlined to ensure that the country is the main entrepot for movement of goods and services into a rebuilding Iraq. Small-scale privatizations should have begun.

¶4. (SBU) Strategies to get there:

Intellectual Property Rights (IPR) Reform:

(Supports MEPI Goals of global competitiveness and encouraging investment.) Kuwait's current IPR laws (the Copyright law, specifically) are not fully TRIPS compliant. Further, enforcement mechanisms are weak, penalties are barely a slap on the wrist, and judges and prosecutors do not have sufficient background or training. As a result, piracy rates in Kuwait are approaching 80 percent for some products.

Improving IPR protection will require several steps: programs to review and improve current legal frameworks (working with both government and National Assembly representatives); extended training and/or technical assistance programs for police investigators and officers on detecting and apprehending pirates; and extended training and/or technical assistance programs to train judges and prosecutors. Justice officials will also benefit from programs that focus on rules of evidence, and on the benefits of establishing a special IPR court. Finally, we should work with GOK officials on a public relations campaign to change attitudes about IPR protection.

Commercial Law Reform

(Supports MEPI Goals of global competitiveness and encouraging investment.) Current commercial laws in Kuwait are not extraordinarily bad, but the legal process is slow and opaque. Tax law, on the other hand, is bad (with a top

rate of 55 percent), old (passed in 1955), discriminatory (applies only to non-Kuwaiti firms) and opaque (the tax department appears to rule anyway it wants, regularly ignoring precedent). The lack of consistency, transparency, and predictability of both tax and commercial law are key impediments to attracting both foreign and domestic investment.

The GOK has on several occasions requested consultations with Treasury on negotiating a bilateral tax treaty and the request has been turned down flat due to the discriminatory nature of the GOK tax law. We recommend engaging the GOK in serious discussions on such a treaty, but hinging the conclusion of the agreement on deep changes in the current GOK tax scheme. As for commercial Law Reform, we understand that the Department of Justice is moving forward with plans to establish a Regional Legal Advisor (RLA) position in the Gulf; we believe this is an excellent step. Additionally (and cross cutting to political reform and the President's plan for training parliamentarians), Kuwait's National Assembly has very few professional staff in key areas such as researching and drafting legislation. A technical assistance program to help the legislature build professional staff for its key committees, or even to establish something along the lines of our own Congressional Research Service, would immensely enhance the Assembly's effectiveness. Also, in an effort to increase transparency, the USG could work with our OECD partners in a determined effort to get Gulf States like Kuwait to abide by the OECD's anti-bribery conventions.

Reducing the Role of Government in the Economy

(Supports MEPI Goals of Encouraging Investment and Facilitating SME Growth.)

Approximately 92 percent of employed Kuwaiti citizens work for the Kuwaiti government, and approximately 80 percent of budgeted government revenues are used to pay salaries and wages. The government dominates nearly every facet of the economy; public-sector wages and salaries have become a mechanism to distribute oil wealth.

While many proclaim that privatization is the only solution, privatization alone will not be sufficient. Before privatization begins, the USG should offer technical assistance in developing regulatory systems and comprehensive, rigorous competition policy, to ensure that public monopolies do not simply become private monopolies. In addition, prior to privatizing state-owned firms and government services, competition and investment rules should be written to encourage domestic and foreign investment. Training programs to improve business skills of displaced government workers and new graduates (both men and women) will be necessary to ensure that these new entrants into the private labor force have the required expertise (cross cuts to the Education pillar).

EDUCATION REFORM PILLAR

15. (SBU) Where Kuwait should be in three to five years: School curricula emphasize excellence in math and science skills, focusing on critical thinking skills and preparation to enter the (private) workplace. New private universities expand educational choice and create competition for educational services.

16. (SBU) Strategies to get there:

The issue of educational reform is highly politicized in Kuwait. Islamists have in the past (falsely) accused the embassy of pushing for the expurgation of Quranic texts from school curricula, and a senior Ministry of Education official, a noted progressive administrator, has told us that

she fears that USG program involvement in educational reform would be a lightning rod for local criticism. Any MEPI educational initiatives involving Kuwait must, therefore, have the lightest USG fingerprint possible if they are to succeed.

With this caveat in mind, we propose the following strategies:

- Use the International Visitor program to expose Ministry of Education officials to curriculum reform/civil society programs in the US, and build on these relationships to influence internal reform efforts.

(Post is sending an MOE official charged with curriculum development on an upcoming civil society IV program this fall.)

- Establish summer programs in the US for Kuwaiti middle/high school students ages 12-17. Such a program would allow young Kuwaitis an opportunity to see themselves and their culture in an international context--an important goal in an environment where Islamist teachers and administrators sometimes impart a stridently polarized and sectarian worldview to the young.

- Seek GOK involvement in proposed MEPI Arabic book translation pilot program for third and fourth grades. (Again, USG profile for this program would have to be very low.)

- Communicate to Kuwaiti audiences that countries that adopt educational strategies that emphasize critical thinking, foreign languages and knowledge of foreign cultures tend to be strong and well-integrated into the international economy, while countries that do not tend to be weak and isolated. Use speaker programs, op/eds and discussions by embassy officers to emphasize this point.

--Work with Kuwait University to establish American Studies courses and increase American studies course content.

--Explore opportunities to develop cooperative relationships with Kuwait's new private universities as they begin operations.

POLITICAL REFORM PILLAR

17. (SBU) Where Kuwait should be in three to five years:
Women have full political rights. All citizens have full political rights. Political parties allowed to form and participate in the political process. Kuwait's parliament becoming a partner in, and not an obstacle to, the country's political and economic development. Kuwaitis begin to understand that the rights of citizenship also come with significant responsibilities. NGOs to track government transparency and accountability begin to operate in Kuwait.

18. (SBU) Strategies to get there (all support MEPI goals of strengthening democratic processes and promoting the rule of law and accountable, effective government institutions):

Women's political rights:

Our overall strategy must be to support indigenous efforts. It would be counter-productive to foster public perception that the US seeks to impose its own cultural or religious values. We propose a program of concurrent interventions targeting three audiences: women's-rights advocates themselves, Kuwaiti society at large, and policy makers.

- Strengthen the capacity of women's advocacy groups through

-- establish a Leadership Development Institute for women in Kuwait.

Kuwaiti women's rights activists have already been in contact

with NDI on this issue;

-- workshops on developing effective advocacy campaigns. Kuwaiti women's rights activists have expressed interest in mounting an advocacy campaign to push for equal benefits for women under Kuwait's child allowance law;

-- facilitation of contacts and mutual support among Arab and Muslim women from many countries.

- Help Kuwaiti women transcend their social and political differences through a gender-budgeting analysis (funding requested per ref B) to highlight issues of common concern, such as unequal treatment of female-headed households, gender imbalance in health, education and family-related services.

- Raise public consciousness of the impact on society of the degree of female empowerment, through guest speakers, publications, round-tables, media events.

- Dialogue with policy makers: senior USG officials should convey consistently that gender equality is both politically important to us and highly beneficial to society. Decision-makers should be exposed to the same substantive information used in public consciousness raising.

Political parties:

The impediment to the existence of political parties is governmental opposition, presumably based on fear that parties would be harder to control. The result is that the most organized groups in the National Assembly are the Islamists, who share a defined ideology and agenda (though even they are divided into at least four distinct groups in the Assembly). We propose a strategy of policy dialogue and public awareness-raising, featuring consistent affirmations of the right of association, and examination of the impact the prohibition on political parties is having on the character and quality of the National Assembly.

Parliament:

Kuwait's National Assembly is the oldest national democratic institution in any of the Arab Gulf states. As such, it is a source of national pride and a factor in the stability of the country. Yet the institution shows very mixed quality -- not surprising, as some of its members can be elected with less than a thousand votes. We propose to offer access to capacity-building courses for members and staffers. Key areas of interest include budget analysis; effective oversight; and research skills/resources, so that on a given issue the Assembly can draw on best practices and lessons learned from around the world.

Civil-society monitoring of government:

We propose to strengthen the ability of existing NGOs to act as responsible "watchdogs," by offering training workshops and facilitating institutional contact with reputable similar organizations abroad. We also propose that the US policy dialogue with the GOK encourage openness to responsible civil-society watchdog groups. The following themes suggest themselves: transparency and accountability are fundamental to the long-term health of government and the stability of society; all governments are subject to outside scrutiny in today's inter-connected world; Kuwait's international reputation is best protected by openness and responsiveness.

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